

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 DODE-00 PA-01 PRS-01 /085 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 6549

C O N F I D E N T I A L LIMA 7081

EO 11652: GDS

TAGS: EINV, EMIN, EIND, PFOR, PE

SUBJECT: MARCONA NATIONALIZATION - MISCELLANY

REF: A.LIMA 7033; B. LIMA 6999; C. LIMA 6959

D. LIMA 6607; E. LIMA 6473; F. LIMA 6138;

G. LIMA 6216

1. MINISTRY OF COMMERCE CONCERN: FORMER VICE MINISTER OF COMMERCE JOSE NUNEZ DEL ARCO, WHO SERVED ON THE GOP NEGOTIATING TEAM DURING EARLIER CONVERSATIONS WITH MARCONA, CALLED ON AID DIRECTOR FINBERG AUGUST 27 TO EXPRESS HIS CONCERN OVER MARCONA ISSUE. NUNEZ DEL ARCO, A U.S.-TRAINED MODERATE WHO HAD EARLIER ADVOCATED AN AMICABLE SETTLEMENT WITH MARCONA, SAID THAT COMMERCE MINISTER ARIAS IS VERY PREOCCUPIED OVER THE GOP FAILURES TO LINE UP SHIPPING AND SALES FOR HIERROPERU ORE. HE SAID VARIOUS "BROKERS" ARE SNOOPING ABOUT LIMA EXPRESSING INTEREST IN SHIPPING AND SALES, BUT THAT NONE HAS REACHED AGREEMENT WITH THE GOP PERHAPS BECAUSE THEY FEAR MARCONA LEGAL ACTION OUTSIDE PERU. NUNEZ DEL ARCO ALSO SAID THAT FIVE MINISTERS (INCLUDING FERNANDEZ MALDONADO) OPPOSED DIRECT SEIZURE OF THE MINE DURING DISCUSSION OF THIS ISSUE AT THE JULY 22 CABINET MEETING. HOWEVER, PRODDED BY GENERAL BOSSIO, VELASCO FORCED THE MEASURE THROUGH IN ANY
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CASE. MORALES BERMUDEZ REMAINED ON THE SIDELINES DURING

THE CABINET DISCUSSION, ACCORDING TO NUNUZ DEL ARCO.
(COMMENT: THIS EXPLANATION FITS CLOSELY WITH THAT DESCRIBED
IN REF E, ALTHOUGH FERNANDEZ MALDONADO HAD NOT APPARENTLY
RETURNED FROM EUROPE AT TIME OF CABINET MEETING, BUT WAS
PROBABLY OPPOSED TO THE SUDDEN NATIONALIZATION.)

2. NEED FOR "BIG GUN" INTERMEDIARY: NUNEZ DEL ARCO ALSO
SUGGESTED TO FINBERG THAT THE USG CONSIDER SENDING DOWN A
"HIGH-POWERED" INTERMEDIARY WHO COULD SPEAK FOR THE USG
(AND THE COMPANY) TO GALVANIZE THE GOP INTO ACTION. (COMMENT:
NUNEZ DEL ARCO WENT BEYOND DELGADO'S ACCEPTANCE OF INTER-
MEDIARY APPROACH AS EXPRESSED TO ADCM (REF B) TO PUSH THIS
IDEA HARD. WE REMAIN CONVINCED, HOWEVER, THAT SUCH AN AP-
PROACH IS PREMATURE (REF A). NUNEZ DEL ARCO, AS A CONCERNED
TECHNICALLY-TRAINED PERSON, NATURALLY TENDS TO EMPHASIZE
ADVANTAGES OF SUCH AN APPROACH, BUT IS UNDOUBTEDLY NOT AWARE
OF THE DISADVANTAGES.)

3. PAYMENT OF \$5.8 MILLION OFR LETTERS OF CREDIT APPARENTLY
APPROVED: BANK OF AMERICA MANAGER TOLD EMBASSY OFFICER
AUGUST 27 THAT CONTRARY TO HIS EXPECTATIONS, THE BANK OF
AMERICAN PANAMA BRANCH, ON WHICH THE REFERENCE LETTERS
OF CREDIT ARE DRAWN (REF G), HAS AUTHORIZED HIM TO
MAKE PAYMENT TO MINPECO. ONLY LAST WEEK, MANAGER EX-
PLAINED TO US THAT SINCE LETTERS WERE IN NAME OF MARCONA
AND ALSO WERE DRAWN IN SUCH A WAY AS TO REQUIRE PREVIOUS
PANAMA BRANCH APPROVAL (WHICH WOULD NOT BE FORTHCOMING
WITHOUT SAN FRANCISCO HEADQUARTER'S APPROVAL), HE DID
NOT EXPECT TO MAKE PAYMENT. NOW, HOWEVER, HE SAID THAT
MINPECO OFFICIALS HAVE RECEIVED NECESSARY DOCUMENTATION
AND ASKED THAT HIS BANK REMIT THE FOREIGN EXCHANGE TO
THEM. HE CHECKED WITH THE PANAMA BRANCH AND WAS INFORMED
TO GO AHEAD. HE EXPECTS TO MAKE PAYMENT SHORTLY. HE
SPECULATES THAT EITHER MARCONA DECIDED TO GO AHEAD WITH
THE PAYMENT AS A SIGN OF GOOD WILL, OR THAT SOMEONE MADE
AN ERROR. (COMMENT: TOMAS KEHOE (REFS A AND LIMA 6476)
TOLD EMBASSY OFFICERS YESTERDAY THAT HE DID NOT EXPECT
PAYMENT TO BE MADE.)

4. LOCAL MARCONA REPRESENTATIVE TOMAS KEHOE, WHO RESIGNED
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EFFECTIVE YESTERDAY FROM HIERROPERU, HAS NOW BEEN DESIGNATED
AS MARCONA'S PERUVIAN BRANCH REPRESENTATIVE (REFS A AND C).
KEHOE IS UNDER IMPRESSION THAT COMPTON WILL RETURN SHORTLY
WITH LEGAL DOCUMENTS AUTHORIZING KEHOE TO ACT ON BEHALF OF
MARCONA HERE. KEHOE PLANS TO WORK CLOSELY WITH FORMER
MARCONA LAWYER GALDOS AS WELL AS WITH ESTUDIO OLAECHEA.

5. GENERAL BOSSIO'S ATTITUDE: KEHOE QUOTED TO EMBASSY

OFFICERS DIRECTLY STATEMENT HE HEARD FROM HIERROPERU
HEAD, GENERAL BOSSIO, TO EFFECT THAT HE HEARD FROM HIERROPERU
HEAD, GENERAL BOSSIO, TO EFFECT THAT HE (BOSSIO) "IS AT
WAR WITH THE U.S." THUS BOSSIO DECISION TO SEIZE MARCONA
CARGOES (REF C) AND TO AVOID, IF AT ALL POSSIBLE, PUR-
CHASE OF SPARE-PARTS FROM THE U.S. KOHOE NOTED, HOWEVER,
ONLATTER POINT THAT HE HAS BEEN AUTHORIZED BY MARCONA
TO TRY TO ARRANGE THE SALE OF \$700,000 WORTH OF SPARES
PURCHASED FOR THE MINE SINCE MARCONA STANDS TO LOSE SUB-
STANTIAL MONEY IF FORCED TO RETURN THE PARTS TO THE SUPPLIERS.
KEHOE IS NOT OVERLY SANGUINE THAT A DEAL CAN BE ARRANGED,
PENDING THE OUTCOME OF THE OVERALL ISSUE. (COMMENT: CON-
FIRMING OTHER REPORTS, KEHOE SAID THAT BOSSIO IS A CLOSE
"BUDDY" OF VELASCO AND HAD UNFORTUNATELY CONVINCED THE
PRESIDENT TO TAKE MARCONA. HE ALSO CONFIRMED EARLIER RE-
PORTS WE HAD RECEIVED FROM ENRIQUE EAST THAT BOSSIO AND
FERNANDEZ MALDONADO DISLIKE EACH OTHER, PARTICULARLY BE-
CAUSE BOSSIO MISMANAGED MINEROPERU LAST YEAR.)
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